

Report on Corporate Governance, Ownership Structure and application of the “Code of Conduct”

Dear Shareholders,

corporate governance legislation is subject to continuous change, as confirmed by further and recent changes to art. 123-*bis* of the Consolidated Finance Act (hereinafter referred to as “TUF”).

Though such provisions apply to the documents to be drawn up for 2009, this report, still following temporary provisions, complies with those provisions and includes information on the adoption of the codes of conduct promoted by management companies operating in regulated markets or by trade associations, in compliance with the terms and conditions stated by CONSOB.

In following with the provisions dictated under subsequent art. 124-*ter* of the TUF (though updated, too), CONSOB stated in art. 89-*bis* of Regulation no. 11971 of 14 May 1999 (hereinafter the “Issuers’ Regulations”) that the Report must be drawn up according to the criteria established by the Code’s promoter, and that it must specifically:

- state it complies with every rule of the Code;
- justify any non-compliance with the rules;
- point out any behaviours non-compliant with those prescribed;
- be published in a special section of the Company’s web site;
- be filed with the registered office of the company no later than 15 days prior to the Shareholders’ Meeting called to approve the financial statements.

Moreover, CONSOB stated that such document should be included, in full, in the Management Report (it is actually included in the Financial Report and is also available in the special section named “Corporate Governance Reports” on the website www.kme.com), and its filing should be made known to CONSOB, Borsa Italiana S.p.A. and the market.

Furthermore, the Company (during the meeting of the Board of Directors on 10 November 2006) declared to adopt the Code of Conduct drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A. (hereinafter referred to as the “Code of Conduct”, or the “Code”, in the March 2006 edition), and to gradually introduce relating standards in its structures.

The text of the Code of Conduct is available at Borsa Italiana S.p.A. and its website www.borsaitaliana.it (Regulations/Corporate Governance section).

Therefore, following temporary provisions, this document is an integral part of the Report on the Business Performance at 31 December 2008 (art. 89-*bis*, subsection 5, of the Issuers’ Regulations) and was drawn up in compliance with the provisions of the Code of Conduct. It is intended to illustrate the level of compliance of the Company’s structures with its provisions attained during 2007, highlighting and justifying any situations that are different and describing the steps already taken and those that may be scheduled for its application.

As required by art. 149, subsection 1, letter *c-bis* of the TUF, the Board of Statutory Auditors in turn supervises the methods of actual implementation of the corporate governance rules provided by the Code.

The Company has provided information about its corporate governance every year since the financial statements at 30 June 2000, continuously increasing the quality and quantity of information. The individual Reports contained in the financial statements of the respective years are available on the website

www.kme.com. Starting with the report concerning 2006, the Reports are instead also available in a special section.

In its drawing up, they took into consideration the remarks supplied by ASSONIME, as well as the guidelines made by Borsa Italiana S.p.A. and the "Guidelines for drawing up the Corporate Governance Report" still made by ASSONIME, in collaboration with Emittenti Titoli S.p.A.. The quantity and quality of available information were valued and compared with the results of the "Analysis of the implementation state of the Code of Conduct of listed companies", a document drawn up by ASSONIME and Emittenti Titoli S.p.A. in February 2009.

The final tables were updated according to the modifications introduced from time to time.

As already mentioned in the document drawn up for 2008, the Report takes also into account what is set forth in the "Experimental Format for the Report on Corporate Governance" that Borsa Italiana S.p.A. distributed to issuing companies in February 2008. As also hoped for by Borsa Italiana S.p.A. itself, this document was used "to verify the type and content of information to be included in the report on corporate governance and/or for the checks performed by the Board of Statutory Auditors". In this regard, please remember that according to the specific instructions of Borsa Italiana S.p.A. (recently confirmed by the same), this format is not mandatory, since "it does not include 'criteria' for drawing up the report on corporate governance referred to by art. 89-*bis* of the Issuers' Regulations".

With the aim of facilitating its availability in one document, and to enable readers to examine pieces of information essentially corresponding with each other in a consistent and unitary way, avoiding description duplications, the Report includes also all the details required by art. 123-*bis* of the TUF in relation to ownership structures, and by articles 37 *et seq.* of the CONSOB Regulations no. 16191 of 29 October 2007 (the "Market Regulations") concerning management and coordination. The aforesaid information is gathered in the two paragraphs of the chapter named "Share Capital and Shareholders", and is also available on the website www.kme.com once this Report is made available at the specific website section.

Because of the many references and cross-references to its provisions, the text of the company Articles of association - available on the website www.kme.com - is provided at the end of the Report.

There have been no changes in the Company's corporate governance structure after year-end 2008, even if the activity of checking the efficiency and updating the provisions and corporate procedures is practically never-ending.

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This **Report on Corporate Governance** is divided into two sections:

- a) the first dedicated to describing the corporate governance system adopted;
- b) the second, more analytical, dedicated to comparing the system adopted with the provisions of the Code of Conduct.

General section

The Company has a traditional corporate governance structure, with a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors.

The Remuneration Committee and Internal Control Committee were also established, both of them made up of independent, non-executive directors only.

Share capital and shareholders

The detailed information required by art. 123-*bis* of the TUF on the subject of ownership interests is provided in the next two paragraphs, also by precise cross-references with other Report chapters.

Share capital

With reference to 31 October 2008, the date in which the warrants and the options of the Stock Option Plan were used for the last time before the suspension following the summoning of the Shareholders' Meeting for the approval of the 2008 financial statements, the share capital is Euro 250,009,677.85, made up of a total of 254,561,457 shares: 235,489,347 ordinary shares and 19,072,110 saving shares, all of them with no nominal values. Therefore, the aforesaid capital was not different from the one at 31 December 2008.

The aforesaid financial instruments are listed in the Standard segment of the Regulated Market managed by Borsa Italiana S.p.A..

On 14 March 2008, the extraordinary Shareholders' Meeting resolved to reduce the share capital on a voluntary basis, following the procedure under art. 2445 of the Italian Civil Code, by Euro 74,164,741.31; therefore, the new capital was Euro 250,000,000.00. The whole amount was allocated to the establishment of an "Available Reserve" within the "Shareholders' Equity" of the Company, which thus did not change.

The 235,489,347 ordinary shares represent 92.51% of the share capital and do not grant rights different or additional to those provided for by applicable legal provisions and by the Bylaws.

Each share gives the right to one vote and restrictions to the right to vote are not provided, except for what legal provisions contemplate.

Similarly, the 19,072,110 saving shares in turn represent 7.49% of the share capital and do not grant rights different or additional to those provided for by applicable legal provisions and by the Bylaws.

Securities granting special controlling rights have not been issued, and neither has an employee shareholding system been set up.

There are no agreements between the Company and the Directors that envisage indemnities in the event of resignations or termination without just cause, or if the relationship ceases following a public purchase offer.

With reference to 31 October 2008, a total of 67,929,987 warrants are also outstanding. They were issued in enactment of the resolution of the Extraordinary Shareholders' Meeting of 19 May 2006, and their exercise, if any (currently in the ratio of 1 new ordinary share for every 3 warrants held at the unit price of Euro 1.05 per share), by the final deadline of 11 December 2009 may lead to the issue of the maximum number of 22,643,329 ordinary shares without nominal value, with a consequent share capital increase of maximum Euro 23,775,495.45. The rights and obligations regarding the warrants are stated in their Regulations, a copy of which is available in a special section of the website.

Proxies pursuant to art. 2443 of the Italian Civil Code were not given to the Board of Directors, neither for issuing financial equity instruments, nor for purchasing treasury shares. There are two proxies given to the Directors to increase the share capital for exercising the stock options granted to Executive Directors and Managers; these proxies are already used in application of the resolutions passed by the Board of Directors in its meetings of 31 July 2006 and 18 July 2007 (articles 2 and 7 of the Articles of association).

The Bylaws do not provide for restrictions for transferring either shares or warrants.

The existence of Shareholders' agreements provided for by art. 122 of the TUF has not been notified to the Company.

The rules applicable to the appointment and replacement of the members of the Board of Directors are those provided by applicable legal provisions integrated with those contained in the Bylaws, similar to those relating to the procedure for altering its provisions.

In July 2006, a "KME Group S.p.A. Stock Option Plan" for Executive Directors of the Company and Group Managers was implemented. The Plan's numeric terms were changed with a resolution passed by the Extraordinary Shareholders' Meeting of 21 June 2007, again due to the share grouping operation. The relevant information that goes into greater detail, also with regard to their total fees, is reported in the next chapter, "Fees of Directors and Top Group Management".

Any exercise of the warrants and options awarded by the Stock Option Plan may cause the share capital to change on a monthly basis. The updated composition of the share capital shall be communicated to the market by a Stock Market notification (for details about the "NIS" system, please see the next paragraph, "Relations with Shareholders and the Market"), and shall then be published on website www.kme.com.

Shareholders

iNTEK S.p.A., a company in turn controlled by Quattrodue Holding BV through 43.18%, is the Shareholder controlling the Company by owning 126,167,569 ordinary shares, equalling 53.58% of the issued shares of the same class. iNTEK S.p.A. also holds 896,906 saving shares, equalling to 4.70% of the issued shares of the same class. Therefore, on the whole, iNTEK S.p.A. owns 49.92% of the entire share capital.

Within the proxy assigned by the Shareholders' Meeting on 16 September 2008 for the purchase of treasury (ordinary and saving) shares, at 31 December 2008 the Company owned 4,480,449 ordinary shares (1.90% of the whole shares of this class) and (gross of the 21,666 saving shares previously owned) 78,138 saving shares (0.41% of the whole shares of the class).

At the date of this Report, and taking into consideration that the purchase programme was interrupted on 26 February 2009, the numbers of owned shares went up to 5,475,170 ordinary shares (2.33% of the total of the class) and 90,555 saving shares (0.47% of the total of the class). On the whole, treasury shares are 2.19% of the entire share capital.

The ordinary shareholders of the Company, updated with the results of share reverse splitting (July 2007), consist of 9,461 Shareholders.

The Company and its subsidiaries have not signed significant agreements that take on effectiveness, are modified or terminate should Company control change.

The Company, though controlled by iNTEK S.p.A., as shown above, believes not to be subject to coordination and management activities, pursuant to articles 2497 *et seq.* of the Italian Civil Code, and to art. 37 of Market Regulations, since:

- a. it has an autonomous negotiating capacity in customer and supplier relations;
- b. it has no centralised treasury relationship with iNTEK S.p.A. or other company on which iNTEK S.p.A. or KME Group S.p.A. itself might depend;
- c. the number of independent Directors (4 out of 12) is such as to ensure that their judgement has significant weight in taking board decisions.

Apart from the Controlling Shareholder, no-one else declared to own an ordinary share capital percentage exceeding 2%. With reference to the above, and based on available knowledge, it is therefore deemed possible to state that in 2008 there were no significant changes in the make-up of Shareholders.

Lastly, please refer to the information made available in another part of the Directors' Report regarding the performance of the securities issued by the Company and their capitalisation on the Stock Exchange during the financial year. In this regard, an area dedicated to these topics is available on the website.

Shareholders' Meeting

The Shareholders' Meeting consists of Shareholders holding ordinary shares and its authorities and powers are those provided for by the Italian Civil Code and the TUF. Furthermore, following provisions in Directive 2007/36/EC, the Company ensures equal treatment to all the Shareholders finding themselves in the same position in relation to Meeting participation and exercise of voting right.

The Bylaws (articles 2 and 14) allow the Board of Statutory Directors to resolve on determining the locations of the registered office and the secondary office, the merger and split of subsidiaries, as well as reduction of share capital in case a shareholder withdraws, or on share capital adaptation to new legal provisions.

The calling of the Shareholders' Meeting is carried out by publishing a notice in a daily newspaper (in this case: "Il Sole 24 Ore" - "Milano Finanza" - "Italia Oggi"), apart from publication in the Official Journal. The provisions on the convening of the Shareholders' Meeting and voting comply with articles 2368 and following of the Italian Civil Code and art. 126 of TUF.

Except for what applicable legal provisions and the Bylaws provide for, no restrictions to the right to vote are envisaged; every share gives the right to one vote (art. 11 of the Bylaws).

The Company does not impose share block as a requirement to take part in the Shareholders' Meeting; Shareholders are required to file shares, that is, to give the intermediaries managing their accounts instructions to issue the aforesaid notice to the company within two days before the meeting date.

Further Shareholder's Meeting participation procedures are included in articles 10 (Shareholders' Meeting Call) and 11 (Shareholders' Meeting Speaking and Representation) of the Bylaws; in particular, the provisions defending minorities in relation to Director and Auditor appointments are pointed out. Specifically, art. 11 of the Bylaws (Shareholders' Meeting Speaking and Representation) requires that the prescribed communication for taking part in the Shareholders' Meeting, issued by the authorised intermediaries, shall be filed at the Company within two days before each Shareholders' Meeting session, with the warning that if the aforesaid deadline expires on a holiday or on Saturdays, the real expiration shall be extended until the following first working day. The same article of the Bylaws contains the provisions for exercising the vote by proxy.

It is understood that the shares for which communication for taking part in the Shareholders' Meeting was requested remain unavailable until the meeting is held, however without prejudice to the Shareholder's right to withdraw them if the Shareholders' Meeting does not take place on first call. In that case, the Shareholder must make another request for the communication, to reach the Company within the same term of two days prior to the date of second call of the Shareholders' Meeting.

One element departing from the Code is that the Company has deemed it does not have autonomous "Shareholders' Meeting Regulations" in so far as the relevant provisions are contained in Heading III of the Bylaws.

In this respect, in particular, please remember art. 12 of the Articles of association, which explicitly requires the Chairman of the Shareholders' Meeting to guarantee correct performance of works by conducting and governing the debate, and by regulating lengths of single speeches.

Holders of saving shares cannot take part in the Shareholders' Meeting of holders of ordinary shares. Their rights are set forth under articles 5, 8 and 28 of the Bylaws. On the other hand, their Common Representative, Mr Romano Bellezza, may take part in it with speaking right; his rights are pointed out in art. 26 of the Bylaws; he was appointed by the Special Saving Shareholders' Meeting of 5 May 2006 for the years from 2006 to 2008. In this respect, we inform you that the Special Saving Shareholders' Meeting was called on 22, 23 and 24 April 2009 to appoint their Common Representative for the three years from 2009 to 2011.

Three Shareholders' Meetings were called in 2008, two of them (14 May and 16 September) in ordinary session only, and one (14 March) in extraordinary session. No Special Saving Shareholders' Meeting was held.

The Board of Directors

The Board of Directors has all the general powers of organization and ordinary as well as extraordinary management of the Company for implementing the corporate purpose (art. 14 of Bylaws); it fixes the strategic lines of the Company and pursues them; it guarantees management continuity and assigns proxies to Executive Directors (articles 15 and 16 of Bylaws). It is solely competent for the analysis and approval of strategic, industrial and financial plans of the Group, the corporate governance system of the Company and the structure of the Group.

With regard to financial reports, the Board of Directors oversees the preparation of the following:

- the Group's annual and consolidated financial statements at 31 December;
- the half-year report at 30 June;
- the interim report at 31 March and 30 September.

The current Board of Directors was appointed by the Shareholders' Meeting on 19 May 2006 for the years 2006, 2007 and 2008, and shall thus expire on the occasion of the Meeting for approving these financial statements at 31 December 2008.

The number of Directors goes from a minimum of nine to a maximum of twelve. The Board of Directors' meeting schedule is made known within January of each year.

The Shareholders' General Meeting held on 19 May 2006 set the number of directors at nine, compared to ten directors previously. This number was then increased to 12 for 2007 and 2008 with resolutions approved by the General Meeting on 3 August 2007.

With reference to the provisions relating to Director appointment, the proposal for the nomination of the three Directors appointed by the Shareholders' Meeting on 3 August 2007 without the “independence” requirement was promptly submitted by Majority Shareholder iNTEK S.p.A. (owning 53.82% of the ordinary share capital) following the procedure under art. 17 of the Bylaws; no Director was thus designated by filing a minority voting list. The following paragraph of the Special Section of this Report, named “The Directors”, includes further information required by applicable provisions.

The names of Board members, together with indications of their positions, including those within established Committees, are always stated at the beginning of the booklets issued for Shareholders' Meetings and for publishing annual financial statements and half-year reports.

The Board of Directors meets at least four times a year (article 18 of the Company's Bylaws). Meetings may also be held by teleconference or videoconference (article 19 of the Corporate Bylaws) and are called at reasonable notice with notification of the agenda to be discussed (article 18 of Corporate Bylaws). The relevant documentation is distributed, keeping in mind the need to ensure the confidential nature of single issues. Resolutions of the Board are passed with the attendance of the majority of Directors holding office and by an absolute majority of those attending. In the event of a tie, the Chairman has the casting vote (article 19 of the Company's Bylaws).

The Board of Directors, in its capacity of establishing Committees, determining their powers, responsibilities and authority (article 14 of the Company's Bylaws), has provided for the establishment of the following Committees, whose members, pursuant to the Code of Conduct's prescriptions, should not hold operational positions:

- the Internal Control Committee;
- the Remuneration Committee;

their members and duties are detailed in later sections of this Report.

On the other hand, the Board of Directors did not form an Executive Committee; it assigned the position of General Manager to two Directors with specific and distinct tasks. Coordination of their activities and duties of the other Executive Director was reserved for the Deputy Chairman, as described below. Neither the Appointment Proposal Committee was formed, since it was thought there was no need of it owing to the presence of a Control Shareholder.

As for the financial year in question, the Board of Directors met five times with respect to ten times in the previous year. As for the current financial year, four meetings are planned as follows:

- 25 March (discussion of draft financial statements);
- 13 May (discussion of interim report at 31 March);
- 6 August (discussion of the half-year financial report at 30 June);
- 12 November (discussion of the interim report at 30 September).

The individual attendance records at each meeting are shown in a table at the end of this Report. Participation at the meetings by Directors and Statutory Auditors averaged 90% and 67%, respectively. All absences were justified.

In the Special Section of this Report, the CVs of each of the Directors are available. These can also be found in the appropriate section of the website www.kme.com.

The Board of Statutory Auditors

The Board of Statutory Auditors governs the observance of laws and Bylaws, ensures that the principles of company administration are adhered to, especially regarding the organizational, administrative and accounting structures of the Company, and oversees its operation.

The current Board of Statutory Auditors was appointed by G.I.M. - Generale Industrie Metallurgiche S.p.A. (the Company's majority shareholder of the time, holding an investment in its voting capital of 50.00004%, and subsequently merged with INTEK S.p.A. at 31 March 2007) - at the Shareholders' Meeting for financial years 2006, 2007 and 2008 of 19 May 2006. Therefore, its term of office shall expire with the Meeting for approving the financial statements at 31 December 2008.

The current provisions for the appointment of the Board of Statutory Auditors came into force after its appointment by the Shareholders' Meeting; no Statutory Auditor was designated through a voting list filed by Minority Shareholders. Art. 22 of the Bylaws states that the minority is a percentage equalling to the highest one fixed pursuant to articles 147-ter, subsection I, of TUF, and 144-quater of the Issuers' Regulations. Through resolution no. 16779 of 27 January 2009, CONSOB stated the current minority to be 2.5%.

It is made up of three Standing Auditors and two Alternate Auditors. As happens with Directors, their names are pointed out in the already mentioned documents made available by the Company. Their short personal records are hereby described. They are also available in the special section of the website www.kme.com.

During 2008, Standing Auditor Alessandro Trotter resigned by saying his decision depended on the CONSOB regulation relating to task cumulation. He was replaced by Alternate Auditor Marco Lombardi pursuant to art. 2399 of the Italian Civil Code.

The names and positions of the current Auditors are listed below along with their brief personal records. More information is available in the appropriate section of the website www.kme.com.

Marcello Fazzini (Chairman)

Mr Marcello Fazzini, born in 1932, with a degree in Political and Social Sciences from the University of Florence, registered in the Order of Chartered Accountants and in the Register of Auditors, carries out his profession in Florence. He has covered top offices in the management and supervisory bodies of several and important companies; he was managing director of Banca Toscana S.p.A. for ten years, from 1986 to 1996. Still on top level, he has taken part in remarkable cultural institutions of Florence, including the G.P. Viesseux Literature and Scientific Cabinet (chairman); he was co-founder/exponent of the International University of Art.

Alessandro Trotter (Standing Auditor until 30 August 2008)

Mr Alessandro Trotter, born in 1940, with a degree in Business and Economics, registered in the Order of Chartered Accountants and in the Register of Auditors, carries out his profession in Milan. He holds offices in management and supervisory bodies of primary importance.

Marco Lombardi (Standing Auditor from 1 September 2008)

Mr Marco Lombardi, born in 1959, with a degree in Political Sciences, administrative course of studies, registered in the Order of Chartered Accountants and in the Register of Auditors, carries out his profession in Florence. He is present in other Board of Statutory Auditors and holds judicial offices; he is the author of works in the tax field.

Pasquale Pace (*Standing Auditor*)

Mr Pasquale Pace, born in 1938, with a degree in Corporate Economics, registered in the Order of Chartered Accountants and in the Register of Auditors, carries out his profession in Bari. He is present in other Boards of Statutory Auditors. He held other judicial offices and is registered as technical expert of the Court for criminal and administrative issues.

Angelo Garcea (*Alternate Auditor*)

Mr Angelo Garcea, born in 1969, with a degree in Business and Economics, registered in the Order of Chartered Accountants and in the Register of Auditors, carries out his profession in Florence. He is the author of a large number of works in the tax field.

Art. 22 of the Bylaws is entirely devoted to the Board of Statutory Auditors; apart from fixing the requirements which have to be owned by its members as well as the appointment procedure, the filing of the voting list and of the personal records of every candidate shall occur fifteen days before the assembly resolution. In particular, the Auditors cannot hold more than five similar offices in issuing companies, as required by articles 148-*bis* of TUF and 144-*terdecies* of the Regulations. This provision was already in force before the coming into force of the aforesaid provisions. The statutory provisions concerning the appointment of the Board of Statutory Auditors are available on the special section of the website www.kme.com.

During their appointment, single members of the Board of Statutory Auditors declared to own professionalism and honourableness requirements pursuant to the article of Bylaws and current provisions; they also declared not to find themselves in any of the impedimental conditions under art. 148 of TUF. Moreover, they pledged to communicate any possible changes to the Company within 30 days from occurrence. Furthermore, for every member, the Board of Statutory Auditors shall check the existence of the independence requirement periodically, on the basis of the legal criteria of the joint provision of articles 10 (subsection 2) and 3 (subsection 1) of the Code.

In this respect, such check concerned the position of the Chairman of the Board of Statutory Auditors, Marcello Fazzini, whose situation had to be taken into consideration in time, because his office lasted more than nine financial years in a row. His first office was assigned by the Shareholders' Meeting on 28 October 1999 for the financial year ended 30 June 2000. However, he had previously replaced another Standing Auditor as Alternate Auditor, on 8 June 1999, starting his activities with reference to the financial year ended 30 June 1999.

Apart from the formal reference to the year instead of the financial year in art. 3, subsection 1, letter e), and taking into consideration that Mr Fazzini (as chairman) and Mr Lombardi (as Standing Auditor) are members of the Board of Statutory Auditors of the subsidiary KME Italy S.p.A., the Board of Statutory Auditors confirms its previous remarks in relations to the chairman, with a view to the rights to choose given it by the Code for evaluating the independence of its members; moreover, the Board of Directors acknowledges the requirement of "independence" to new Standing Auditor Lombardi. These essential judgements originate from the personalities of the people in question and from the economic and professional importance of the tasks they fulfil in the interest of the Company and the Group.

For the same reasons, the Board of Statutory Auditors confirmed its previous and similar judgements in relation to Standing Auditor Alessandro Trotter, too, who resigned during the financial year, as already mentioned above.

Mr Alessandro Trotter had actually been appointed Standing Auditor of the Company, for the first time, by the Shareholders' Meeting on 14 November 1997, for the financial years ended 30 June 1998, 1999 and 2000; therefore, he has carried out his duties uninterruptedly for over ten years, with reference to 12 financial years, including the one ended 31 December 2008.

As a result, the Board of Statutory Auditors made known that it accepted the provisions of article 149, subsection I, letter *c-bis* of the TUF, requiring it to oversee the procedures for the real implementation of the Code of Conduct.

The administration and supervisory positions held by the Auditors in other companies, and in the Group, are shown below, and are available to the Shareholders' Meeting at the time in which they are appointed.

The Board of Auditors carries out its activities regularly, attends the meetings of the Board of Directors and of other Committees, and keeps in constant touch with the offices of the Company, which it may address directly and with full independence. Its relations with the Auditing Company are based on collaboration and exchange of figures and information.

The fees received by the members of the Board are shown in the table below, in accordance with CONSOB provisions:

Name (in Euro)	Position	Term of office	Expiry of position	Fees for position	Non- monetary benefits	Bonuses and other incentives	Other fees
Marcello Fazzini	Chairman	01.01.06 - 31.12.08	31.12.08	32,657	-	-	29,058 ¹
Marco Lombardi ²	Standing Auditor	30.08.08 - 31.12.08	31.12.08	7,345	-	-	19,723 ¹
Pasquale Pace	Standing Auditor	01.01.06 - 31.12.08	31.12.08	22,733	-	-	-
Alessandro Trotter ²	Standing Auditor	01.01.06 - 30.08.08	30.08.08	14,140	-	-	-

¹ Fees received for positions held in subsidiaries

² On 30 August 2008, Mr Trotter resigned and was replaced by Mr Marco Lombardi

The Board of Statutory Auditors met seven times during the year, as in the previous year. There was 95% attendance by members at these meetings.

Offices held by Statutory Auditors

The following table sets out, for each Statutory Auditor, the positions held at 31 December 2008 as either Director or Statutory Auditor in companies limited by shares, partnerships and limited liability companies.

Name	Company	Position
Marcello Fazzini	HDI Assicurazioni S.p.A.	Chairman of the Board of Statutory Auditors
	HDI Finanziaria S.p.A.	Chairman of the Board of Statutory Auditors
	InChiaro Assicurazioni S.p.A.	Standing Auditor
	FINOA S.p.A.	Chairman of the Board of Statutory Auditors
	KME Italy S.p.A. ¹	Chairman of the Board of Statutory Auditors
	Lanificio Roberto Drighi S.p.A.	Chairman of the Board of Statutory Auditors
Pasquale Pace	F.lli Reali S.p.A.	Chairman of the Board of Statutory Auditors
	ASECO S.p.A.	Chairman of the Board of Statutory Auditors
	Edil Vacanze S.p.A.	Chairman of the Board of Statutory Auditors
	Baia San Giorgio - Villaggio turistico sportivo San Giorgio S.r.l.	Chairman of the Board of Statutory Auditors
	Fidanzia Sistemi S.r.l.	Chairman of the Board of Statutory Auditors
	Primiceri S.p.A.	Chairman of the Board of Statutory Auditors
Alessandro Trotter	Marzocca S.r.l.	Standing Auditor
	Atlantia S.p.A. ²	Standing Auditor
	Autostrade per l'Italia S.p.A.	Chairman of the Board of Statutory Auditors
	Equitalia Esatri S.p.A.	Member of the Board of Directors
	Impregilo S.p.A.	Standing Auditor
	Petraco S.p.A.	Chairman of the Board of Statutory Auditors
	Radiall Elettronica S.r.l.	Chairman of the Board of Statutory Auditors
	Rotolito Lombarda S.p.A.	Chairman of the Board of Statutory Auditors
	Schemaventotto S.p.A.	Standing Auditor
	Siena Mortgages 00-1 S.p.A.	Standing Auditor
	Sitech in liquidazione	Chairman of the Board of Statutory Auditors
	TLX S.p.A.	Chairman of the Board of Statutory Auditors
	Ulisse S.p.A.	Standing Auditor
	Unicredit Banca S.p.A. ²	Chairman of the Board of Statutory Auditors
Unicredit Consumer Financing Bank S.p.A.	Standing Auditor	
Marco Lombardi	RECS S.r.l.	Sole Director
	Brandini S.p.A.	Chairman of the Board of Statutory Auditors
	D&D La Certosa Firenze S.p.A.	Chairman of the Board of Statutory Auditors
	Fattoria dei Barbi S.r.l.	Chairman of the Board of Statutory Auditors
	Jaguar Firenze S.p.A.	Chairman of the Board of Statutory Auditors
	Centro Leasing Rete S.p.A.	Standing Auditor
	Firenze Industria Finance S.p.A.	Standing Auditor
	KME Italy S.p.A. ¹	Standing Auditor
	Grifoni & Masini S.p.A.	Standing Auditor
	SAIF Servizi Ass.ni Industriali Firenze S.r.l.	Standing Auditor
	B. e C. Speakers S.p.A.	Alternate Auditor
	Cabel Ass. Fin. Co. Leasing S.p.A.	Alternate Auditor
	Centro Leasing Banca S.p.A.	Alternate Auditor
	Editoriale Firenze S.p.A.	Alternate Auditor
	Tarducci S.p.A.	Alternate Auditor
	Vianse S.p.A.	Alternate Auditor
Fondazione Strozzi	Alternate Auditor	
Associazione Partners Palazzo Strozzi	Standing Auditor	
Angelo Garcea	Travertino Toscano S.p.A.	Chairman of the Board of Statutory Auditors
	Polimoda S.r.l.	Chairman of the Board of Statutory Auditors
	Immobiliare S. Gemignano S.p.A.	Standing Auditor
	Cooperativa Borgo Pinti 80 S.c.a.r.l.	Standing Auditor

1. Group's companies controlled by iNTEK S.p.A.

2. Company listed in a regulated market

The Independent Auditors

KPMG S.p.A. is the company appointed, pursuant to articles 155 et seq. of the TUF, to perform an audit of the separate and consolidated financial statements, as well as to perform a review of the half-year financial statements (consolidated, too) of KME Group S.p.A..

The current position was resolved by the Shareholders' Meeting on 23 May 2007, following motivated proposal by the Board of Statutory Auditors, and shall end with the financial statements as at and for the year ending 31 December 2015.

The director of audit is Mr Riccardo Cecchi, who covers the role with reference to the report issued on 25 October 2007, in relation to the half-year report at 30 June 2007.

The total fees paid by the Company equalled to Euro 172,000. On the Group level, total fees were Euro 1,269,000. For further details, please see annexes to the explanatory note to the financial statements.

During the financial year, further assignments were not given to the Independent Auditors, except for what has been otherwise included in the statement under art. 149-*duodecies* of the Issuers' Regulations. The Board of Statutory Auditors, within its supervisory activities on the independence of the Independent Auditors, will carry out relevant audits.

Special section

Directors

Directors hold office for a period not exceeding three financial years, and can be re-elected (art. 17 of the Bylaws). Once the proposal for the appointment of a new director is presented, the Shareholders' Meeting receives information about the new candidate including CV and administrative and management posts held in other Companies.

The names and positions of the current directors are listed below along with a brief introduction on their career. More information is available in the appropriate section of the website www.kme.com.

Salvatore Orlando (*Chairman*)

Mr Salvatore Orlando, born in 1957 and graduated in Political Sciences, joined the Group as executive in 1984. Later on, he was a member of the Boards of Directors of the most important industrial companies of the Group. He has been Director of the Company since 1991, and of iNTEK S.p.A. since 2007.

Vincenzo Manes (*Deputy Chairman*)

Mr Vincenzo Manes was born in 1960 and graduated in Business and Economics; Chairman and CEO of iNTEK S.p.A., the company holding the majority investment in KME Group S.p.A.. He is Director of ErgyCapital S.p.A.. He joined KME Group's Board of Directors in February 2005.

Domenico Cova (*Director and Chief Executive Officer*)

Mr Domenico Cova was born in 1949 and graduated in Electronic Engineering; he joined the Group following the acquisition of Trafileries e Laminatoi di Metalli S.p.A. (TLM), a company of the French Group Pechiney. In 1977, he became production manager of the Rod sector at the factory of Serravalle Scrivia, and then its Manager in 1983, continuing his activities at the French subsidiary KME France S.A.S., becoming its Chairman in 2000. He has been member of the management board (Vorstand) of KME Germany A.G. since 1995. He became Chief Operative Officer of KME Group S.p.A. in 2007. He was appointed Director through resolution by the Shareholders' Meeting on 3 August 2007.

Italo Romano (Director and Chief Executive Officer)

Mr Italo Romano, was born in 1958 and graduated in Business and Economics. He joined the Group in 1988 covering various roles in the Company's administrative and management control departments. In 2001, he was appointed Corporate Group Controller with the specific task of managing the overall restructuring of the Group's entire IT and administrative divisions. In 2004, he was appointed General Manager "Administration, Control & Corporate Plan". In 2005, he joined the Board of Directors of KME Italy S.p.A., of which he became Deputy Executive Chairman. In the same year, he joined the Vorstand of KME Germany A.G., holding the position of Chief Financial Officer of KME Group S.p.A.. He was appointed Director through resolution by the Shareholders' Meeting on 3 August 2007.

Vincenzo Cannatelli

Mr Vincenzo Cannatelli was born in 1952 and graduated in Mechanical Engineering; he has gained a significant amount of experience from working both in Italy and abroad. He started his professional career in Stet and Eltag Bayley groups and then joined ENEL where he held senior positions within operational companies including COO of both the Infrastructure and Network Division and Marketing Division.

He was coopted Director by resolution of the Board of Directors on 11 April 2006 and subsequently the Shareholders' Meeting of 19 May 2006 reconfirmed his office for three consecutive years: 2006, 2007 and 2008. On the same date, he was appointed CEO by the Board of Directors, a position he held until 31 March 2007; since then, he has maintained the post of Director only. At present, he is Chairman of ErgyCapital S.p.A..

Mario d'Urso (independent director)

Mr Mario d'Urso was born in Naples in 1940 and graduated in Law; he held various positions in financial and governmental sectors; he also served as Senator of the Italian Republic and as under-secretary in one of the past Italian governments.

He joined the KME Group's Board of Directors on 14 February 2005.

Marcello Gallo

Mr Marcello Gallo was born in Siracusa in 1958 and graduated in Political Economics; at present, he is CEO of Intek Capital S.p.A., a subsidiary of iNTEK S.p.A., of which he is Deputy Chairman. There, he also served as General Manager from 1998 to 2003. He also takes part in the Boards of Directors of the subsidiaries of iNTEK S.p.A..

He joined the KME Group's Board of Directors in February 2005.

Giuseppe Lignana (independent director)

Mr Giuseppe Lignana was born in 1937 and graduated in Electronic Engineering; he was CEO of CEAT Cavi S.p.A. and Director in Banca Commerciale Italiana S.p.A. and SIRT I S.p.A.. He joined Cartiere Burgo S.p.A. in 1984, becoming its General Manager, CEO and, then, Chairman until 2004; at present, he is Honorary Chairman.

He joined the KME Group's Board of Directors in January 2005.

Gian Carlo Losi

Mr Gian Carlo Losi, was born in 1947 and graduated in Business and Economics. He joined the Group in 1973, after working as university assistant to the Business and Economics Chair at the University of Florence. Executive since 1977, then Finance and Auditing Manager of the Group. In 1990, he was appointed CEO of G.I.M. - Generale Industrie Metallurgiche S.p.A.. After serving as Director and Statutory Auditor for a number of the Group's Italian and foreign companies, he is currently holding the office of Secretary of the Company's Committee and of "Corporate Affairs & Internal Audit" Manager. He was appointed Director by resolution of the Shareholders' Meeting on 3 August 2007.

Diva Moriani

Ms Diva Moriani holds a degree in Business and Economics and joined iNTEK S.p.A. in 1999. She became a member of iNTEK's Board of Directors in 2002, of which she became Deputy Chairwoman in 2007. She is Chairwoman of Intek Capital S.p.A., CEO of I2 Capital Partners SGR S.p.A., and Deputy Chairwoman of ErgyCapital S.p.A.. She joined the KME Group's Board of Directors on 27 April 2005.

Alberto Pecci (*independent director*)

Mr Alberto Pecci was born in 1943 and graduated in Political Science; he has been a member of the Boards of Directors of the Group's various companies for several years. He is Chairman of the Boards of Directors of the companies of Pecci Industrial Group, operating in the textile sector, and member of the Boards of Directors of El.En. S.p.A. and Alleanza Assicurazioni S.p.A.. He was chairman of Fondiaria S.p.A. and Director in Assicurazioni Generali S.p.A., Mediobanca S.p.A., and Banca Intesa S.p.A.. He joined the KME Group's Board of Directors in June 1996.

Alberto Pirelli (*independent director*)

Mr Alberto Pirelli was born in 1954 and graduated in the USA in Ichthyology and Aquaculture; he also held operating positions in Pirelli Group and, at present, he is Deputy Chairman of Pirelli & C. S.p.A. and Director in Camfin S.p.A. and Olimpia S.p.A.; he is Deputy Chairman of Gruppo Partecipazioni Industriali S.p.A.. He joined the KME Group's Board of Directors in October 2000.

On recalling the previous paragraph "The Board of Directors", as for the occurred integration of the number of Directors in August 2007, we acknowledge that the Board of Directors currently in office was not appointed according to the procedure introduced in 2007 through art. 17 of the Bylaws, providing for voting by list, and according to which appointment proposals have to be filed in advance; a Director may be appointed by the minority obtaining the highest number of votes. Specific criteria to identify the minimum minority threshold in this respect have been fixed by CONSOB, under art. 147-ter, subsection I. As pointed out above, in the paragraph devoted to the Board of Statutory Auditors, the limit is now 2.5%.

The procedure of art. 17 of the Bylaws is also available in the special section of the website www.kme.com.

The Board of Directors appointed a Chairman and a Deputy Chairman, and during 2007 assigned the CEO post to two Directors, ensuring that there is no conflict of interests between the single specific areas of authority. This choice, both functional and operational, helps to avoid a concentration of social responsibilities on a single person whilst ensuring that the Code of Conduct requirements are met.

Pursuant to art. 20 of the Bylaws, the Chairman is the legal representative of the Company and has the authority to represent it before third parties and in legal proceedings.

The Chairman also has the power, in agreement with the Deputy Chairman, to draw up strategies concerning the general conduct of the business and the overall development policies of the Group, ensuring he submits them for the approval of the Board of Directors which will make the final decision.

The Chairman is also responsible for the ordinary administration of the company, in particular concerning the following tasks:

- defining, in agreement with the Deputy Chairman, any extraordinary actions to submit for the approval of the Board of Directors;
- identifying, in agreement with the Deputy Chairman, the candidacies for the positions of Managing Director, members of the Executive Committee (or other Committees) and, in agreement with the Deputy Chairman (and the Managing Director if nominated) for the positions of CEO in the Company. This also applies to the same roles, other than the Director roles, for all the other Companies in the Group, including any due remuneration, to be submitted to the relevant corporate bodies which have authority over such candidacies.

The Board of Directors also reserves the right for the Chairman to be consulted prior to any actions requiring a significant change to the industrial and financial structure of the Company and the Group.

Pursuant to art. 16 of the Bylaws, the Deputy Chairman is vested with the same powers as the Chairman which he can exercise, in cases of urgency and in the event that the latter is absent or incapacitated.

The Board of Directors has also granted to the Deputy Chairman the following powers:

- the power to guide, coordinate and control external communications, including with the shareholders, in agreement with the Chairman, keeping him informed at all times;
- the powers of ordinary and extraordinary management, consistent with the directives and strategic decisions of the Board of Directors, of the company's administrative, financial, monitoring, legal, fiscal, insurance and IT activities as well as in the area of industrial and commercial activities; for these functions, the Deputy Chairman has the power to guide and coordinate operations for all the other companies of the Group;
- the power of ordinary and extraordinary management of restructuring operations of the industrial, financial and property framework of the Company and the Group, keeping the Board of Directors informed at all times;
- the power to lead, coordinate and supervise the activities of the other Executive Directors in conformity with the powers and strategies decided by the Board of Directors.

General Managers have been authorised to exercise the following powers:

- the Director Domenico Cova is responsible for the management of the industrial and commercial activities of the Company and Group, within limits and according to the guidelines provided by the Board of Directors and the Deputy Chairman;
- the Director Italo Romano is responsible for the management of the administrative, financial, planning, monitoring, legal, personal, purchasing, marketing and IT activities, within limits and in accordance with the guidelines provided by the Board of Directors and the Deputy Chairman.

For both the above-mentioned Directors, in their role as CEO, specific value ceilings have been set for carrying out the powers specified above. These limits vary according to the type of transaction being performed and range from Euro 1 million to Euro 10 million per single transaction.

Director Diva Moriani is responsible for leading and coordinating strategies concerning the financial restructuring of the Company and the Group. Her mandate also provides for the execution of extraordinary activities for the acquisition or sale of companies as well as the negotiations and signing of agreements of strategic importance for the Company and the Group.

Considering the types of proxies they have been granted, the Deputy Chairman and Directors Domenico Cova, Italo Romano and Diva Moriani are considered Executive Directors.

Considering that the two Directors with General Manager tasks are also members of the Vorstand of KME Germany A.G. (company entirely controlled, on which the industrial segment of the Group depends), every three months, Executive Directors have to inform the Board of Directors and the Board of Statutory Auditors on the general business performance, and on any related foreseeable developments, including any major transactions carried out by the Company or any of its subsidiaries.

Pursuant to art. 147-ter, subsection IV of the TUF, the Board of Directors believes that its composition is suitable for the size of the Company and the issues to be faced, in terms of number and expertise, and considering the presence of four Independent Directors (one third of its members); the same may also be said for the other established Committees. Directors are required to promptly make known the loss of the honourableness requirement under art. 147-quinquies of TUF.

The organizational, administrative and accounting structures of the Company and any subsidiaries of strategic importance are also deemed adequate by the Board of Directors, with particular reference to the internal control system and management of conflicts of interest.

The presence of Executive Directors with specific professional experience in the financial, administrative and industrial fields enables the Board to appropriately “cover” the vast majority of business activity.

Non-executive directors also offer their valuable contribution in terms of professionalism and competence to the Board of Directors and to the other Committees of which they are members.

In compliance with the “application criteria” included in art. 3, subsection 1, of the Code of Conduct, and taking into consideration articles 147-ter, subsection IV, and 148, subsection III, of TUF, as well as CONSOB report no. DEM/9017893 of 26 February 2009, Directors Mario d’Urso, Giuseppe Lignana, Alberto Pecci and Alberto Pirelli confirm they hold their qualifications as “Independent Directors”; the confirmation was shared by the Board of Directors and by the Board of Statutory Auditors. Their specific meeting is not planned, pursuant to art. 3, subsection 6, of the Code; however, both the two appointed Committees are solely made up of non-executive and independent Directors, who meet during the financial year.

With regard to the possible confirmation of the independent role for the Director Alberto Pecci, his appointment was decided by resolutions of the Shareholders’ Meeting on 28 June 1996 for the years ended 31 December 1996 and 1997, and that he has been holding this office uninterruptedly for over nine years, apparently contravening the relevant principle referred to in article 3, subsection 1, letter e) of the Code of Conduct. In the same way, the condition of Mr Pirelli, as non-executive Director of the previous auditing company, G.I.M. – Generale Industrie Metallurgiche S.p.A. until its merger into iNTEK S.p.A. and exponent of Pirelli & C. S.p.A., company participating in the Shareholders Syndicates of G.I.M. Itself – Generale Industrie Metallurgiche S.p.A. and KME Group S.p.A., is apparently in contrast with the criterion under the same article at letters b) and a), respectively. The condition of Mr Pecci is similar, since, as natural person, he was also part of the Syndicate of G.I.M. – Generale Industrie Metallurgiche S.p.A..

With a view to similar remarks of essential and personal character, made for three members of the Board of Statutory Auditors, the Board of Directors, in agreement with the Board of Statutory Auditors, confirms its belief that such characteristic cannot be excluded for both the aforesaid Directors, Alberto Pecci and Alberto Pirelli, for being members (though with different offices) of the above-mentioned Shareholders’ Syndicates; the first one was Director of the Company for such a long time, and the second one, was a member of the same body of the previous Independent Auditors. They were actually acknowledged full independence of judgement.

The Board of Directors did not appoint the Lead Independent Director, who would coordinate any requests and contributions from non-executive Directors, and in particular, from the independent ones, owing to subdivision of corporate positions, held by four Executive Directors, and to the activities of the two Committees, which are composed of Independent Directors only.

Positions held by Directors

The following table sets out, for each Director, the positions held at 31 December 2008 as either Director or Statutory Auditor in public limited companies, limited partnerships with share capital and limited liability companies.

Name	Company	Position
Salvatore Orlando	KME Italy S.p.A. ¹	Chairman of the Board of Directors
	KME Germany A.G. ¹	Member of the Supervisory Council
	iNTEK S.p.A. ^{1,2}	Member of the Board of Directors
Vincenzo Manes	iNTEK S.p.A. ^{1,2}	Chairman/Managing Director
	iNTEKCapital S.p.A.	Member of the Board of Directors
	Fondazione Dynamo	Chairman of the Board of Directors
	I2 Capital Partners SGR S.p.A. ¹	Deputy Chairman of the Board of Directors
	ErgyCapital S.p.A. ^{1,2}	Member of the Board of Directors
	Fondazione Laureus Sport for Good Italia	Member of the Board of Directors
	Fondazione W.W.F. Italia	Member of the Board of Directors
	Fondazione Vita	Member of the Board of Directors
	422 Holding B.V.	Member of the Supervisory Council
	KME Germany A.G.	Deputy Chairman of the Supervisory Council
Domenico Cova	KME Germany A.G. ¹	Member of the Management Committee
Italo Romano	KME Italy S.p.A. ¹	Executive Deputy Chairman of the Board of Directors
	KME Germany A.G. ¹	Member of the Management Committee
Vincenzo Cannatelli	Aledia S.p.A.	Chairman of the Board of Directors
	ErgyCapital S.p.A. ^{1,2}	Chairman of the Board of Directors
	Ferretti S.p.A. ²	Member of the Board of Directors
Mario d'Urso	Fondi Gabelli (Gruppo Gamco)	Member of the Board of Directors
Marcello Gallo	iNTEK S.p.A. ^{1,2}	Deputy Chairman of the Board of Directors
	IntekCapital S.p.A.	Managing Director
	I2 Capital Partners SGR S.p.A. ¹	Managing Director
	Fondazione Dynamo	Member of the Board of Directors
	ISNO 3 ¹	Sole Director
	ISNO 4	Sole Director
	KME Germany A.G.	Member of the Supervisory Council
Giuseppe Lignana	No position	
Gian Carlo Losi	No position	
Diva Moriani	iNTEK S.p.A. ^{1,2}	Deputy Chairwoman
	IntekCapital S.p.A.	Chairwoman of the Board of Directors
	I2 Capital Partners SGR S.p.A. ¹	Managing Director
	ErgyCapital S.p.A. ^{1,2}	Deputy Chairwoman of the Board of Directors
	Fondazione Dynamo	Member of the Board of Directors
	Associazione Dynamo	Member of the Board of Directors
	I2 Capital Portfolio	Chairwoman of the Board of Directors
	123 S.p.A.	Chairwoman of the Board of Directors
	Franco Vago ILH	Member of the Board of Directors
	Franco Vago S.p.A.	Member of the Board of Directors
	KME Germany A.G.	Member of the Supervisory Council
Alberto Pecci	Gruppo Industriale Pecci	Chairman of the Board of Directors
	El.En. S.p.A. ²	Member of the Board of Directors
	Alleanza Assicurazioni S.p.A. ²	Member of the Board of Directors
Alberto Pirelli	Pirelli & C. S.p.A. ²	Deputy Chairman of the Board of Directors
	Gruppo Partecipazioni Industriali S.p.A.	Deputy Chairman of the Board of Directors
	Camfin S.p.A. ²	Member of the Board of Directors
	Pirelli Tyre S.p.A.	Member of the Board of Directors
	FIN.AP di Alberto Pirelli & C. S.a.p.a.	Chairman of the Board of General Partners

1. Group's companies controlled by iNTEK S.p.A.

2. Company listed in a regulated market

The Board of Directors, considering the following:

- the personal and professional qualifications of its members;
- the number and importance of the above-mentioned positions;
- and the high level of attendance by its members at Board of Directors' meetings;

does not believe that it is appropriate to limit the number of positions that each Director may hold.

Regulations on transactions with related parties

Directors with proxies shall report to the Board of Directors and the Board of Statutory Auditors regarding transactions that are potentially in conflict of interest, pursuant to article 14 of the Bylaws.

This internal regulation, adopted in March 2003 and reviewed first in November 2003 and subsequently in both September 2005 and November 2006, gives weight to the Company Bylaws by setting out the criteria by which related parties are identified, and the relative operating procedures, which include quarterly audits and meetings to be held with the Head of Internal Control, following the guidelines indicated in the Code of Conduct which refer to this point specifically. The Board of Statutory Auditors is invited to participate in these meetings.

The definition of related parties contained in IAS 24 that was in force at the time was fully adopted.

A review of the listings of the related parties is carried out on 31 December and 30 June every year.

The regulation reminds the Company's Directors and Statutory Auditors who have potential or indirect interests in a transaction that they must fully and promptly inform the Board of Directors about this potential conflict. The Board may avail itself of the services of independent experts in making its decision.

The Shareholders' Meeting did not make any exceptions to the competition ban pursuant to article 2390 of the Italian Civil Code.

Furthermore, the members of the Vorstand of KME Germany A.G., the company management board which the Directors Domenico Cova and Italo Romano are also part of, have to ensure that the information on intra-company transactions and other possible large transactions with related parties made by Group Companies are reported to Company executives.

The Board of Directors believes that the procedures contained in the Regulations, available in the appropriate section of the website www.kme.com, are adequate for managing conflicts of interest.

Remuneration for Directors and senior management

Art. 8 of the Bylaws admits Director profit-sharing to the extent of 2% of what is left after allocation to legal reserve; the following art. 21 enables the Shareholders' Meeting to assign them a possible fixed benefit; as for Directors with special powers, the Board of Directors may fix a specific fee based on the opinion of the Board of Statutory Auditors.

The fixed annual fee for the Directors, to be allocated equally but with a 50% increase for those sitting on the two established Committees, has been set at Euro 172,500 pursuant to the resolution of the Shareholders'

Meeting of 3 August 2008, which modifies the previous resolution issued on 19 May 2006. Regarding the payment of remuneration pursuant to article 8 of the Bylaws, the amounts received as fixed benefits shall be regarded as advance of the aforesaid remuneration.

The Chairman and Deputy Chairman are entitled to variable remuneration based on their management performance during their period in office.

Director fee details for 2008 and for subsidiaries, are included in the following table, drawn up by following CONSOB instructions; there is also the fee of Mr Roelf-Evert Reins, member of the Vorstand of the German subsidiary KME Germany S.A., considered "Executive with strategic responsibilities". Amounts in Euro.

Fees paid to Directors, Auditors, General Managers and Executives with strategic responsibilities (CONSOB Regulations art. 78 no. 11971/99)

Directors							
Name	Position	Term of office	Expiry of position	Fees for position	Non-monetary benefits	Bonuses and other incentives	Other fees ¹
Salvatore Orlando	Chairman	01.01.06-31.12.08	31.12.08	649,000	5,084		135,074
Vincenzo Manes	Deputy Chairman	01.01.06-31.12.08	31.12.08	871,501	1,545		70,388
Domenico Cova	Dir./Man.Dir.	03.08.07-31.12.08	31.12.08	11,500			759,096
Italo Romano	Dir./Man.Dir.	03.08.07-31.12.08	31.12.08	11,500			755,405
Vincenzo Cannatelli	Director	19.05.06-31.12.08	31.12.08	12,100			
Mario d'Urso	Director	01.01.06-31.12.08	31.12.08	23,600			
Marcello Gallo	Director	01.01.06-31.12.08	31.12.08	13,300			7,172
Giuseppe Lignana	Director	01.01.06-31.12.08	31.12.08	23,600			
Gian Carlo Losi	Director	03.08.07-31.12.08	31.12.08	45,070			274,992
Diva Moriani	Director	01.01.06-31.12.08	31.12.08	106,167	3,031		7,172
Alberto Pecci	Director	01.01.06-31.12.08	31.12.08	17,250			
Alberto Pirelli ²	Director	01.01.06-31.12.07	31.12.08	17,250			

Executives with strategic responsibilities

Roelf-Evert Reins							572,142
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1. Emoluments for positions in subsidiaries for the whole 2008

2. Fees for Mr Alberto Pirelli disbursed to Pirelli & C. S.p.A.

The Board of Directors of 14 March 2008 resolved to assign the Deputy Chairman, Vincenzo Manes, a mandate termination benefit to be disbursed at the time in which he will leave his executive position, amounting to an average annuity for every three-year term of office. In this way, the aggregate fee of the Deputy Chairman shall be complete, at the time in which the first stage of Group reorganization may be regarded as concluded. The reorganization stage was meant to implement the most urgent industrial actions to recover financial and asset equilibrium after the serious crisis in 2004.

In July 2006, a KME Group S.p.A. Stock Option Plan 2006-2011 was put into effect for the Executive Directors of the Company and the Executives of the Group. The Plan was changed during 2007 following a series of resignations and new appointments of Directors and Executives within the Group, and due to the reverse splitting constituting the share capital. However, the changes did not affect its original overall structure.

In particular, the Shareholders' Meeting of 21 June 2007 decided to reassign 12,827,988 expired options for two Beneficiaries (CEO Vincenzo Cannatelli, who remained Director, and a line manager who left the Group) in favour of the other Beneficiaries, in terms directly proportional to the respective assignments originally decided in July 2006. Therefore, such reassignment did not cause an increase in the overall number of

options previously assigned, and did not determine the amount of the share capital increase.

The options give each Beneficiary the right to subscribe one ordinary share per each block of three shares owned at the unit price of Euro 1.029 (the initial unit price of Euro 0.343 before reverse splitting was calculated based on the official average share price recorded on the Stock Exchange in July 2006) through the terms and conditions established by Plan Regulations. The deadline for exercising the options is 28 February 2011.

The originally assigned options (no. 39,947,166, net of no. 3,784,585 expired during last financial year and not reassigned) may be exercised: no. 10,301,253 starting from 1 September 2007, no. 14,822,958 at 1 September 2008, and no. 14,822,955 at 1 September 2009.

Taking into consideration the changes above (reassignment and expirations) happened during 2007¹:

- five Directors were given 21,453,318 options on the whole, corresponding to 7,151,106 shares, and to the subscription countervalue of Euro 7.3 million;
- 14 Group Executives were given 17,327,667 options on the whole, corresponding to 5,775,889 shares and to the subscription countervalue of Euro 6.3 million.

During 2008, no stock option was exercised. On 25 March 2009, the date in which the exercise of options was nevertheless suspended, following their Regulations, owing to the calling of the Shareholders' Meeting, 6,802,713 options were exercised on the whole (therefore, 33,144,453 options may still be exercised).

Directors exercised 2,137,998 options through the following issue of 712,666 shares (countervalue of Euro 733,333.314), while Executives exercised 4,664,715 options on the whole, corresponding to 1,554,905 shares (countervalue of Euro 1,599,997.245).

Therefore, on the whole, 2,267,571 ordinary shares were issued, with a Euro 2.3 million share capital increase.

The 14 Executives include Roelf Evert Reins: during 2008, he held the position of Chairman of the Vorstand of KME Germany A.G., and thus, he is regarded as significant person pursuant to art. 152-*sexies*, subsection I, letter c.3 of the Issuers' Regulations.

1. To define the overall number under previous paragraph, it is necessary to take into account that Executive Albert Scherger exercised no. 1,166,181 options, corresponding to 388,727 shares, while he lost his remaining 3,784,585 options.

The details of the Plan, drawn up analytically for the five Directors and one Executive with strategic responsibilities, and in aggregate form for 13 Executives (in compliance with the pattern required by CONSOB provisions) are as follows:

Annex 3C - Table 2 to Issuers' Regulations no. 11971 of 14.05.1999

Stock options granted to Directors, Managing Directors and Directors with strategic responsibilities

Name	Position	Options held at start of year			Options assigned during year			Options exercised during year			Options expired during year		Options held at end of year	
		Option number	Average exercise price ³	Average expiry ⁴	Option number	Average exercise price ³	Average expiry ⁴	Option number	Average exercise price ³	Average market price exercise	Option number	Option number	Average market price exercise ³	Average expiry ⁴
Vincenzo Manes	Deputy Chairman	10,726,659	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	10,726,659	1.029	28.02.2011
Diva Moriani	Director	1,650,255	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	1,650,255	1.029	28.02.2011
Domenico Cova	Dir. - Gen. Man. ¹	3,153,822	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	3,153,822	1.029	28.02.2011
Italo Romano	Dir. - Gen. Man. ¹	3,153,822	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	3,153,822	1.029	28.02.2011
Gian Carlo Losi	Director ¹	630,762	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	630,762	1.029	28.02.2011
Roelf-Evert Reins	Exec. w/strat. resp. ²	825,126	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	825,126	1.029	28.02.2011
n. 13 Executives		13,004,007	1.029	28.02.2011	-	1.029	28.02.2011	-	1.029	-	-	13,004,007	1.029	28.02.2011
Total		33,144,453			-			-			-	33,144,453		

1. Appointed Directors on 3 August 2007

2. Appoint. member of Vorstand of KME Germany A.G. on 22 June 2007

3. Post-reverse splitting price of 16 July 2007, with following new exercise ratio: one share every three options at the unit price of Euro 1.029 per share

4. This date is the deadline within which options may be exercised

A results-based incentive plan for senior management has also been introduced by the Group.

Remuneration Committee

The Remuneration Committee is comprised of the Directors Alberto Pirelli (Chairman), Mario D'Urso and Giuseppe Lignana, all of whom are non-executive and independent Directors. Since their remuneration was set during the Shareholders' Meeting at the moment of their appointment (see paragraph "Remuneration for Directors and senior management") no specific procedures have been issued as yet on decisions relating to the assignment of possible extra remuneration to the members of the Committee.

The Committee presents proposals to the Board of Directors for the remuneration of the Chairman, the Deputy Chairman, the Managing Directors and the Directors who carry out certain functions, monitoring that their decisions are correctly applied.

The Committee also evaluates the criteria adopted for the remuneration of managers with strategic responsibilities, and draws up related general recommendations for the Board of Directors, monitoring the development of the systems adopted.

The standing members of the Board of Statutory Auditors attend Committee's meetings entered in the minutes, ensuring that the requirements of article 21 of the Company Bylaws are followed. The Committee, notwithstanding the powers it has been granted in this respect, has decided not to demand access to more information or to business functions as it considers the details submitted in relation to the single decisions to be sufficient and exhaustive.

The Committee met only once during the year, as in the previous year. All of the members of the Committee participated in the meeting. In this meeting, the Committee discussed the proposals for the remuneration of the Chairman, the Deputy Chairman and Director Diva Moriani for 2008. It also checked the variable

remunerations of the Chairman and Deputy Chairman for 2007. On the basis of the information provided by the Deputy Chairman, the Committee dealt also with the criteria adopted for the remuneration of the Group's senior management.

Internal Control, Internal Control Committee and Manager responsible for the preparation of corporate accounting documentation

The Internal Control Committee is appointed by the Board of Directors, which has to ensure that the system works efficiently, and is composed of the Directors Mario D'Urso (Chairman), Giuseppe Lignana and Alberto Pecci.

Its members are all non-executive and independent Directors whose professional experience, in the financial and accounting fields, too, has been regarded as adequate by the Board of Directors.

The responsibilities of the Committee are as follows:

- to assist the Board of Directors in settling the criteria for directing and monitoring the internal control system in order to identify and manage the main business risks;
- to assess the activities carried out by the internal control officers;
- to assess the suitability of the accounting policies used and their consistency in the preparation of the consolidated financial statements;
- to assess the proposals made by the Independent Auditors and assess their activities.

The committee has access to all of the company information deemed necessary for the performance of its functions and reports to the Board of Directors at least on a half-year basis.

The Chairman, Deputy Chairman, Director/General Manager Italo Romano (the last two in their capacity as Directors responsible for auditing) and the Chairman of the Board of Statutory Auditors (or other standing auditor appointed by the Chairman) are invited to attend the meetings of the Committee.

The Committee met twice, as in the previous year. The Chairman of the Board of Statutory Auditors was regularly present in both recorded meetings.

The Internal Control Manager is appointed by the Deputy Chairman, by mandate of the Board of Directors. He reports to the Deputy Chairman on a continuous basis rather than at preset time intervals. Hierarchically, he is independent from all heads of operating areas, and in turn he is not responsible for any of them. Moreover, he reports to the Internal Control Committee and to the Board of Statutory Auditors. His activity can be identified with "internal audit".

The Head has direct access to all the necessary information to adequately carry out his function. His objective is to examine and assess the adequacy and effectiveness of the Company's internal control system, as well as ensuring that the activities carried out by the various business functions adhere to procedures, company policies, the law and any other regulations, paying special attention to the reliability and completeness of the information being processed, the safeguarding of the company's assets, the suitability of the accounting policies used and their consistency in the preparation of the Group's consolidated financial statements. His work is carried out in conjunction with the manager responsible for the preparation of corporate accounting documentation.

The Company adopted a "Model of organization and management pursuant to Legislative Decree no. 231/01"; the model is updated in relation to the changes introduced by the regulations of reference from time to time. A special body composed of various functions of the Company and the Group has been created. This entity, not

only ensures that the Model is kept up to date, but also monitors its effectiveness through specific checks and controls focused on the most critical sectors of the Company. The chairman of the Board of Statutory Auditors takes part in its meetings.

Pursuant to art. 8 of the Code, the Board of Directors believes that the Company's system of internal controls is suitable to protect it against the typical risks of the main activities performed by the Company, and capable of ensuring the safeguarding of its assets, the effectiveness and efficiency of corporate operations, the reliability of financial reporting and the respect of laws and regulations.

Pursuant to art. 123-*bis*, subsection II, letter b), under the point of view of financial information (consolidated information, too) reliability, in December 2006, the Company started an internal audit project under the supervision of the Internal Control Committee, with the assistance of Ernst & Young, meant to check the internal control system on the financial reporting of the Group, in order to align it with international standards, and with the aim of compliance with the "Saving Law" no. 262/05. The whole adjustment was completed with financial statements 2008; controls for real implementations were carried out.

Pursuant to the procedure under art. 17 of the Bylaws, and after verifying that the relevant professional and personal requirements are met, the Board of Directors, in the meeting held on 21 June 2007 and in agreement with the Board of Statutory Auditors, has appointed Mr Marco Miniati as Manager responsible for the preparation of the corporate accounting documentation. Mr Miniati was assigned all the powers and responsibilities necessary to perform his tasks, as well as specific remuneration.

Mr Miniati was born in 1960 and has been a Manager in the Group since 1997. He has operated primarily in the management control area, also working for the French and German companies. In 2005, he was appointed General Manager Administration Controlling & Planning.

The term of office is the same as that of the Board of Directors, i.e. until the approval of the financial statements as at and for the year ended 31 December 2008.

The first statement pursuant to art. 154-*bis*, subsection II of TUF, has been made with regard to the Quarterly Report at 30 September 2007, while the first statement pursuant to subsection V of the same article was the one relating to the separate financial statements at 31 December 2007.

Periodically, the Executive in charge informs the Internal Control Committee and the Board of Statutory Auditors on the activities carried out, and continuously collaborates with the Independent Auditors.

Corporate information

In order to ensure that communications of "corporate events" to the market are timely, complete, adequate and not selective, in 2002 the Company introduced a "Code of Conduct regarding Company information on important events", thus responding to the requirements in the Code of Conduct and thereby formalising the principles contained in the "Market Information Guide".

The following innovations introduced in the legislation, concerning TUF corporate information, as well as the innovations introduced by CONSOB, on regulation level, and thus, by Borsa Italiana S.p.A., led to its review in March and November 2006, and then, in November 2007. In particular, we point out the new structure of art. 114 of TUF and, pursuant to art. 115-*bis*, the consequent identification of the "significant persons", who may access the "inside information", with setting up of the relevant Register as of 1 April 2006, structured in electronic format.

The procedure reminds the Directors and Statutory Auditors to respect the confidentiality of sensitive information. This principle is extended to others in the company who, owing to their functions, may have access to information of this nature, requesting them to limit the handling of these data to those persons who are aware of CONSOB and Borsa Italiana S.p.A. requirements on this matter.

The position of investor relations manager is fulfilled by the individual company managers regarding their respective areas of expertise. This choice takes into account the Company's current internal resources and structures, and allows it to ensure an adequate level of service to meet its various requirements.

Internal dealing Code of Conduct

As of 1 April 2006, and following the coming into force of the internal dealing provisions introduced in the legal system by Law no. 62 of 18 April 2005 and by the following modifications included in the Issuers' Regulations of CONSOB through its resolution no. 15232 of 29 November 2005, the Board of Directors of the Company, in its meetings on March and November 2006, and then, in November 2007, decided to change the initial procedure, keeping it updated and efficient, with the aim of:

- ensuring that the new regulations are widely communicated and making it as simple as possible for "significant persons" to become aware of them;
- keeping the procedure efficient and up-to-date.

A particularly unusual matter, it is still forbidden to carry out transactions with the financial instruments of the Company: the "blackout periods" affecting "significant persons".

Investments in the Company and its subsidiaries held by the Directors and Statutory Auditors are indicated in the following table:

Name and Surname	Investment in	No. of shares held at the end of FY 2007	No. of shares purchased in 2008	No. of shares sold in 2008	No. of shares held at the end of FY 2008
Vincenzo Cannatelli	Kme Group S.p.A.	97,663 ordin. shares 104,218 warrants	== ==	== ==	97,663 ord. shares 104,218 warrants
Alberto Pecci	Kme Group S.p.A.	7,166 sav. shares ¹ 65,317 sav. shares ² 1,399 ord. shares ¹ 24,176 warrants ²	==	==	7,166 sav. shares ¹ 65,317 sav. shares ² 1,399 ord. shares ¹ 24,176 warrants ²
Domenico Cova	Kme Group S.p.A.	75,000 ord. shares ³	==	==	75,000 ord. shares
Italo Romano	Kme Group S.p.A.	75,000 ord. shares ³	==	==	75,000 ord. shares
Gian Carlo Losi	Kme Group S.p.A.	64,788 ord. shares ³	==	==	64,788 ord. shares
Alessandro Trotter	Kme Group S.p.A.	16,666 ord. shares	==	==	16,666 ord. shares

1. directly owned

2. indirectly owned but fully held through a subsidiary

3. shares from stock option exercise

The full text of the procedure is available in the relevant section of the website www.kme.com as are the individual transactions for each person.

Market and shareholders relations

Whilst underlining the fact that the Shareholders' Meeting is the best way for the Board of Directors to inform Shareholders of the Company's performance and outlook, the Company, in order to facilitate a more informed participation in the corporate Meetings, sends to the Shareholders who took part in the last three meetings (or who requested it) in addition to the appointment files as prescribed by the current provisions, an information folder containing the relevant documentation at least one week prior to the date of the meeting. Furthermore, as a general practice, a folder containing a copy of the current Company Bylaws plus relevant documentation is made available to anyone participating in the meetings.

A timely and quality communication with external parties, as a way to guarantee the best level of information to the Shareholders and the market, is also achieved through the use and development of the Company website www.kme.com. During January 2008, the Company decided to concentrate all information regarding the activities and products of the Group's Industrial Companies on this website. Until then, information had only been available on a separate website though an appropriate link. The website can be accessed freely without any restrictions, all topics can be easily retrieved and all the latest news is well highlighted.

Its update takes place at the same time with the issue of notices through the electronic circuit of NIS (Network Information System), managed by Borsa Italiana S.p.A.. Such system enables the public to receive the notices issued by the Company by sending them to the press agencies connected with the system itself, to Borsa Italiana S.p.A., in turn including them in its notice, and to CONSOB.

The website includes not only news of a historical, documentary, accounting and financial nature (financial statements, half-year and quarterly reports, schedules, flow charts on share performance) and on company events (yearly agenda, corporate governance report, exercise of rights, calling and participation procedures of shareholders' meetings, appointment procedures for the Board of Directors and Statutory Auditors), but also news regarding the Company's product range, their applications and other information of interest to suppliers and customers.

A significant part of the website is dedicated to corporate governance documents (company bodies, Bylaws Warrant Regulations, Internal Code of Conduct and Regulations, minutes of the meetings), with specific areas dedicated to possible extraordinary transactions underway. Moreover, the "Annual Information Document" pursuant to art. 54 of the Issuers' Regulations is available as of 2005.

Some of this information, particularly press releases, financial statements and half-year reports, is already available in English too.

During 2008, the website www.kme.com was visited by over one million people, consulting almost four million pages of various kind. In particular, the interactive version of the 2007 financial statements, made available for the first time, was visited over 15,000 times; over 6,000 documents in PDF format were downloaded. 2/3 of the aforesaid visits concerned English documents.

Comparison with 2007 figures shows a remarkable increase in visits; this definitely depended on the choice to join information of corporate and financial character in just one site. Moreover, a continuous communication service of press releases and documents issued by the Company is carried out through its mailing list, with 1,170 members with respect to 1,097 in 2007. Furthermore, it is possible to send e-mail requests to the Company.

The Board of Directors believes that the new structure of the website improved the quality and increased the quantity of information on the Group and its industrial activities, as well as on the Company. It also meets market (not only the financial one) and Shareholders' needs in a better way.

Company Bylaws, Minority Shareholders and Shareholders' Meetings

The Company Bylaws, unless otherwise prescribed by the applicable legislative provisions and by the Bylaws regulations, may be modified only subject to resolution issued by the Shareholders' Meeting according to the procedures and majorities prescribed by the existing legislative provisions.

The Bylaws include provisions defending minority Shareholders for the summoning of the Shareholders' Meeting, integration of its agenda (art. 10), and appointment of the Board of Directors and of the Board of Statutory Auditors (art. 22), in relation to the faculties to collect vote proxies and to exercise absentee voting (art. 11), and in compliance with information obligations with respect to the Board of Auditors (articles 14 and 18) and the Common Representative of the Saving Shareholders (article 24).

Specifically, articles 17 (Election and composition of the Board of Directors and term of office of its members) and 22 (Board of Statutory Auditors) of the Company Bylaws, have been modified during 2007, and the voting list method in favour of the minority shareholders has been introduced.

The criteria to determine the minority threshold are established by CONSOB pursuant to articles 147 (iii) and (vi) of the TUF.

We also remind you of those provisions of the Bylaws that govern the calling, the constitution and the proceedings of Shareholders' Meetings and the participation and representation of the Shareholders at these meetings (articles 10, 11, 12, and 13). As a result, it has been considered unnecessary to adopt specific Regulations for Shareholders' Meetings.

Table 1 - Structure of Board of Directors and Established Committees

Position	Name	Board of Directors				Remuneration committee•		Remuneration committee•		
		Executive	Non-Executive	Independent	****	No. of other positions**	***	****	***	****
Chairman	Salvatore Orlando				100	2				
Deputy Chairman	Vincenzo Manes	x			100	3				
Director/Managing Director	Domenico Cova	x			100	2				
Director/Managing Director	Italo Romano	x			100	2				
Director	Vincenzo Cannatelli				100	2				
Director	Mario d'Urso		x	x	80	1	x	100	x	100
Director	Marcello Gallo		x		60	1				
Director	Giuseppe Lignana		x	x	80	--	x	100	x	100
Director	Gian Carlo Losi		x		100	--				
Director	Diva Moriani	x			100	2				
Director	Alberto Pecci		x	x	60	3	x	50		
Director	Alberto Pirelli		x	x	100	2			x	100

•Summary of the grounds for possible absences of the Internal Control Committee or composition other than that recommended by the Code:

=

•Summary of the grounds for possible absence of the Remuneration Committee or composition other than that recommended by the Code:

=

Summary of the grounds for absences of the Executive Committee:

The Committee was not established due to the appointment of a Deputy Chairman with executive functions and two Directors as CEOs.

Summary of the grounds for absences of the Appointment Committee:

The Committee was not established due to one Shareholder having control of the Company's voting capital.

Number of meetings held during the year Board of Directors: five Internal Auditing Committee: two Remuneration Committee: one

NOTES

* The asterisk (*) indicates the Directors that were appointed by lists presented by minority shareholders.

** This column indicates the number of Director or Statutory Auditor positions held by individuals in other Companies listed in regulated markets, foreign or domestic, in financial services companies, banks, insurance companies or companies of significant size.

*** This column indicates (with an "X") which Committee the member of the Board of Directors participates in.

**** This column indicates the attendance percentages of Directors in Board of Directors' or Committee's meetings.

Table 2 - Board of Statutory Auditors

Position	Name	Attendance percentages at meeting of the board of statutory auditors	No. of other positions**
Chairman	Fazzini Marcello	100	--
Standing Auditor	Pace Pasquale	86	--
Standing Auditor	Trotter Alessandro	57	3
Standing Auditor	Lombardi Marco	100	--
Alternate Auditor	Garcea Angelo	///	--
Number of meetings held during the calendar year: seven			
Quorum required for the presentation of lists by minorities for the election of one or more standing members (pursuant to article 148 TUF): 2.5%.			

NOTES

* The asterisks (*) indicate the Statutory Auditors that were appointed by lists presented by minority shareholders.

** This column indicates the number of Director or Statutory Auditor positions held by individuals in other Companies listed in regulated markets, foreign or domestic, in financial services companies, banks, insurance companies or companies of significant size.

Table 3 - Other Code of Conduct provisions

	Yes	No	Summary of the grounds for any discrepancy with recommendations in the Code
Proxy system and related party transactions			
Has the Board of Directors defined the following:			
a) limits	x		
b) means of execution	x		
c) frequency of reporting?	x		
Did the Board of Directors reserve the power to examine and approve transactions having an impact on the Company's financial position or results (including transactions with related parties)?	x		
Has the Board defined guidelines and criteria which can be used to identify "significant" transactions?	x		
Are these guidelines and criteria described in the Report?	x		
Has the Board established appropriate procedures to examine and approve related party transactions?	x		
Are the procedures for the approval of related party transactions described in the Report?	x		Available in full on the company website
Procedures followed for the most recent appointments of Directors or Statutory Auditors			
Were the proposal details of the candidate for directorship filed at least fifteen days in advance?	x		
Did the proposal of the candidate for directorship include all of the appropriate documents?			
Did the proposal of the candidate for directorship include a statement by the candidate of his or her suitability as an independent director?	x		
Were the proposal details of the Statutory Auditor candidate filed at least fifteen days in advance?	x		
Did the proposal for the Statutory Auditor candidate include all of the appropriate documents?	x		
Shareholders' Meetings			
Has the Company approved regulations governing shareholders' meetings?		x	Refer to Title III of the Bylaws, available in full on the website
Are the regulations attached to the report (or is there a description as to where these may be obtained or downloaded)?	x		Refer to Title III of the Bylaws, available in full on the website
Internal Control			
Has the Company appointed an internal control officer/s?	x		
Is/are the officer/s hierarchically independent from the heads of the operating areas?	x		
Organizational unit in charge of internal control (pursuant to article 9.3 of the Code)	x		Internal Control Manager
Investor relations			
Has the Company appointed a head of investor relations?		x	The typical activities of this role are performed with the support of the various heads of business functions
Organizational Unit and contact details of head of investor relations (address/telephone no./fax no./email)	x		Please see the Directors' report and the website

Legislation on Protection of Personal Data

Pursuant to art. 26 of Annex B - Technical regulations on minimum security measures - of Legislative Decree no. 196 of 30 June 2003 (the “Personal Data Protection Code”), the scheduled “Data Protection Document” has been adopted by means of a document with certain date; in this respect, the Manager is Mr Lorenzo Cantini.

Florence, 25 March 2009

The Board of Directors